

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE)	
REASONABLENESS OF THE DEMAND SIDE)	CASE NO.
MANAGEMENT PROGRAMS AND RATES OF)	2017-00097
KENTUCKY POWER COMPANY)	

ORDER

This matter arises upon the motion of Kentucky Power Company (“Kentucky Power”), filed March 31, 2017, requesting that the Commission enter an interlocutory order regarding Kentucky Power’s obligations regarding the administration of its Demand-Side Management (“DSM”) programs during the pendency of this proceeding. On February 23, 2017, the Commission initiated this proceeding to investigate the reasonableness of Kentucky Power’s DSM programs in light of an approximately 2,000 percent increase in the DSM rates charged to Kentucky Power’s customers and given the worsening economic conditions in Kentucky Power’s service territory.

As a basis for its motion, Kentucky Power states that, absent an interlocutory order addressing the administration of its DSM programs during the pendency of this matter, certain ongoing expenditures and operations are required in order to comply with existing Commission Orders relating to implementation of, and expenditures for, DSM programs. Pursuant to the procedural schedule entered in this matter, the Commission will issue a decision sometime after June 9, 2017. However, Kentucky Power states that it must take certain actions, including contract amendments and change orders, prior to the date by

which the Commission will render a decision in the instant matter, in order to comply with the Commission's previous directive that Kentucky Power maintain a minimum annual level of DSM spending of \$6 million through 2018, and thereafter must obtain Commission approval before reducing its annual DSM expenditure below \$6 million.¹ The necessary actions include executing a change order to its contract with the vendor of Kentucky Power's residential appliance-recycling program in compliance with the Commission's Order in Case No. 2016-00281,² and executing additional change orders needed to meet customer demand for two commercial programs that are approaching or have exceeded their 2017 vendor contract levels, which will increase 2017 total expenditures.³ Kentucky Power requests an interlocutory order regarding its obligations to administer its DSM portfolio during the pendency of this proceeding for reasons of efficiency and cost-effectiveness.

On March 24, 2017, Kentuckians For the Commonwealth, Inc., Elizabeth Sanders, and Alice Whitaker (collectively, "KFTC"), filed a motion to intervene in this proceeding,

¹ Kentucky Power's Motion for Interlocutory Order (filed Mar. 31, 2017) citing Case No. 2012-00578, *Application of Kentucky Power Company for (1) A Certificate of Public Convenience and Necessity Authorizing the Transfer to the Company of an Undivided Fifty Percent Interest in the Mitchell Generating Station and Associated Assets; (2) Approval of the Assumption by Kentucky Power Company of Certain Liabilities in Connection with the Transfer of the Mitchell Generating Station; (3) Declaratory Rulings; (4) Deferral of Costs Incurred in Connection with the Company's Efforts to Meet Federal Clean Air Act and Related Requirements; and (5) All Other Required Approvals and Relief* (Ky. PSC Oct. 7, 2013).

² See Case No. 2016-00281, *Electronic Application Of Kentucky Power Company for (1) Authority to Expand Its Appliance Recycling Program to Include Commercial Customers; (2) Authority to Recovery Costs and Net Lost Revenues, and to Receive Incentives Associated with the Implementation of the Programs; (3) Report in Compliance with the Commission's March 11, 2015 Order in Case No. 2015-00271 Regarding Industrial Customers; (4) Leave to Dispense with Filing Monthly DSM Reports and (5) All Other Required Approvals and Relief* (Ky. PSC Dec. 29, 2016).

³ Kentucky Power's Motion for Interlocutory Order at 3-4. Executing a change order to meet customer demand for the Express Install Program would increase the 2017 contract amount by \$600,000 to \$900,000. Executing a change order to meet the customer demand for the Commercial Incentive Prescriptive Customer Program would increase the 2017 contract amount by \$275,000. The two programs will have to be suspended unless the change orders are executed.

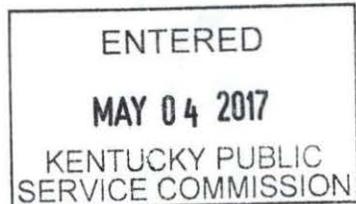
and on April 6, 2017, KFTC filed a motion requesting an additional 14 days, or until April 21, 2017, to respond to Kentucky Power's motion for an interlocutory order. As a basis for its motion, KFTC states that it needs additional time to discover facts that are relevant to Kentucky Power's motion, that it is not known what DSM programs are affected by Kentucky Power's motion, and that the suspension of Kentucky Power's DSM programs may be prejudicial to Kentucky Power's customers.

Having reviewed the motions and being otherwise advised, the Commission finds that KFTC's motion to intervene was denied by Order entered on April 12, 2017, and that denial renders moot its motion for an extension of time. With respect to Kentucky Power's motion, we find that it should be granted. Kentucky Power has an ongoing obligation to administer its DSM portfolio in the ordinary course of business during the pendency of this proceeding, but should not expand or increase expenditures on any existing DSM program. Further, Kentucky Power is relieved of the obligation of achieving the existing \$6 million DSM expenditure level in 2017 during the pendency of this proceeding. This proceeding was initiated upon the Commission's own motion based on a finding that immediate action was necessary to review the reasonableness of the level of spending on Kentucky Power's DSM programs, given the significant increase in cost that exacerbated an already bleak economic situation for many of Kentucky Power's customers. It therefore follows that any discretionary increases to the costs of the DSM program should be curtailed during the pendency of this proceeding.

IT IS HEREBY ORDERED that:

1. Kentucky Power's motion for an interlocutory order is granted.
2. KFTC's motion for additional time is denied as moot.
3. During the pendency of the instant proceeding, Kentucky Power shall continue its ongoing obligation to administer its DSM portfolio in the ordinary course of business, but shall not be required to attain the existing \$6 million DSM expenditure level in 2017.

By the Commission



ATTEST:


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